

**Charter Township of Coloma, Michigan
Berrien County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2008**

Charter Township of Coloma

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Independent Auditor's Report

To the Members of the Township Board
Charter Township of Coloma, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of and for the year ended March 31, 2008 which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Coloma, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Coloma, Michigan as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 19, 2008

Charter Township of Coloma

Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Coloma, Michigan's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Charter Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

The Charter Township continued the water extension project. During the year, the Charter Township expended approximately \$1,465,000.

State grant revenue was received during the year to cover the costs of the water extension and water connections projects. Approximately \$1,400,000 of grant revenue was received during the fiscal year. In addition, the Charter Township received \$194,500 of private contributions to assist with the water extension project.

The Charter Township paid off the balance on the note payable related to the fire land contract. While final payment was not due until 2011, the Charter Township decided to pay off this note.

Both General Fund revenue and expenditures had favorable variances as compared to amended budgets prepared by the Charter Township.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the Charter Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds.

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

The Charter Township as a Whole

The following table shows, in a condensed format, the current year's net assets comparable to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Assets									
Current assets	\$ 1,775,074	\$ 1,967,400	\$ 2,132,058	\$ 1,867,329	\$ 1,884,436	\$ 1,895,643	\$ 3,642,403	\$ 3,851,836	\$ 4,027,701
Noncurrent assets	2,468,333	2,391,687	2,325,700	8,219,420	7,002,506	6,709,717	10,687,753	9,394,193	9,035,417
Total assets	4,243,407	4,359,087	4,457,758	10,086,749	8,886,942	8,605,360	14,330,156	13,246,029	13,063,118
Liabilities									
Current liabilities	73,050	60,670	249,839	327,946	259,790	246,228	400,996	320,460	496,067
Long-term liabilities	1,140,624	1,159,759	1,164,179	1,095,000	1,170,000	1,220,000	2,235,624	2,329,759	2,384,179
Total liabilities	1,213,674	1,220,429	1,414,018	1,422,946	1,429,790	1,466,228	2,636,620	2,650,219	2,880,246
Net Assets									
Invested in capital assets - Net of related debt	1,166,680	1,124,325	1,036,307	6,839,701	5,572,787	5,206,619	8,006,381	6,697,112	6,242,926
Restricted	582,731	690,132	654,640	-	-	-	582,731	690,132	654,640
Unrestricted	1,280,322	1,324,201	1,352,793	1,824,102	1,884,365	1,932,513	3,104,424	3,208,566	3,285,306
Total net assets	\$ 3,029,733	\$ 3,138,658	\$ 3,043,740	\$ 8,663,803	\$ 7,457,152	\$ 7,139,132	\$ 11,693,536	\$ 10,595,810	\$ 10,182,872

The Charter Township's combined net assets increased 10 percent from a year ago - from \$10.6 million to \$11.7 million. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets decreased 3 percent, while business-type activities increased 16 percent.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, stands at \$1.3 million for the governmental activities. This represents approximately 60 percent of current year expenditures. This is within the targeted range set by the Charter Township during its last budget process.

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net assets, comparable to the prior two years:

	Governmental Activities			Business-type Activities			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Revenue									
Program revenue:									
Charges for services	\$ 83,721	\$ 118,792	\$ 109,919	\$ 374,181	\$ 359,380	\$ 356,910	\$ 457,902	\$ 478,172	\$ 466,829
Operating grants and contributions	200,200	166,902	165,000	-	-	-	200,200	166,902	165,000
Capital grants and contributions	-	-	-	1,581,787	563,668	1,882,644	1,581,787	563,668	1,882,644
General revenue:									
Property taxes	1,031,139	1,005,083	937,199	-	-	-	1,031,139	1,005,083	937,199
State-shared revenue	395,383	393,076	397,936	-	-	-	395,383	393,076	397,936
Unrestricted investment earnings	35,561	64,921	47,189	76,673	84,211	70,772	112,234	149,132	117,961
Other revenue	300,134	157,242	208,748	-	-	-	300,134	157,242	208,748
Total revenue	2,046,138	1,906,016	1,865,991	2,032,641	1,007,259	2,310,326	4,078,779	2,913,275	4,176,317
Program Expenses									
General government	596,590	473,324	493,728	-	-	-	596,590	473,324	493,728
Public safety	1,311,551	1,139,520	1,106,127	-	-	-	1,311,551	1,139,520	1,106,127
Public works	113,108	63,462	48,227	-	-	-	113,108	63,462	48,227
Economic development	80,487	91,276	113,014	-	-	-	80,487	91,276	113,014
Recreation and culture	7,822	3,259	2,882	-	-	-	7,822	3,259	2,882
Interest on long-term debt	45,505	40,257	47,984	-	-	-	45,505	40,257	47,984
Sewer	-	-	-	825,990	689,239	663,775	825,990	689,239	663,775
Total program expenses	2,155,063	1,811,098	1,811,962	825,990	689,239	663,775	2,981,053	2,500,337	2,475,737
Change in Net Assets	\$ (108,925)	\$ 94,918	\$ 54,029	\$ 1,206,651	\$ 318,020	\$ 1,646,551	\$ 1,097,726	\$ 412,938	\$ 1,700,580

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

Governmental Activities

The Charter Township's total governmental revenues increased 7 percent, due to slight increases in property tax revenue and contributions from other governmental units. This increase partially offset the increase in expenditures of approximately 19 percent, mostly in the area of public safety.

Business-type Activities

The Charter Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a jointly owned and operated sewage treatment plant.

The Sewer Fund experienced a significant increase in total revenue during the current year. This increase is largely due to an increase in the grant funds received from the State of Michigan for water extension and water connections projects. Service charges increased approximately 4 percent while related expenses increased nearly 20 percent. Investment income decreased due to falling interest rates.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Charter Township originally budgeted operational expenditures of approximately \$768,000. While the Charter Township amended the budget during the year, total budgeted expenditures did not change. The Charter Township departments overall expended amounts were below amended budget by approximately \$23,000.

- State-shared revenue, our largest revenue source, was held fairly constant by the State of Michigan this fiscal year.
- The General Fund transferred \$140,000 to the Police Fund in the current year, \$20,000 more than in the prior fiscal year. This helped to fund the purchase of capital equipment.
- As a result of the preceding transactions, the General Fund's operations resulted in a current year loss of approximately \$115,000. However, ending fund balance remains strong at over \$1.1 million.

Capital Asset and Debt Administration

During the fiscal year, the Charter Township capitalized an additional \$1,465,000 of water lines, water connections, professional services, and other assets related to the ongoing water extension and water connections projects. Land was purchased for \$31,000 for a new water tower. Various road improvements amounted to \$119,000. A new police vehicle was added to the fleet at a cost of \$22,000.

Charter Township of Coloma

Management's Discussion and Analysis (Continued)

Economic Factors

The Charter Township has a significant amount of funds on deposit with financial institutions, and interest rates on these funds have continued to decrease. The Charter Township's significant amount of interest income fluctuates with changes in the interest rates. The Charter Township's General Fund has been negatively impacted over the past five years by the State's cuts in revenue sharing. The Charter Township's management continues to monitor the expenditure levels to avoid significant decreases in fund balance. Until the State of Michigan's economic climate improves, the Charter Township is not expecting much of an increase in state revenue sharing.

Contacting the Charter Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Charter Township's finances and to show the Charter Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Charter Township office.

Charter Township of Coloma

Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,200,946	\$ 151	\$ 1,201,097
Investments	387,588	1,626,768	2,014,356
Receivables	87,798	286,777	374,575
Interfund balances	98,742	(98,742)	-
Prepaid expenses and other assets	-	52,375	52,375
Investment in joint ventures	348,653	209,719	558,372
Capital assets	2,119,680	8,009,701	10,129,381
Total assets	4,243,407	10,086,749	14,330,156
Liabilities			
Accounts payable	7,498	35,995	43,493
Accrued and other liabilities	32,483	117,269	149,752
Deferred revenue	-	99,682	99,682
Noncurrent liabilities:			
Due within one year:			
Compensated absences	22,069	-	22,069
Current portion of long-term debt	11,000	75,000	86,000
Due in more than one year:			
Compensated absences - Long-term	198,624	-	198,624
Long-term debt - Net of current portion	942,000	1,095,000	2,037,000
Total liabilities	1,213,674	1,422,946	2,636,620
Net Assets			
Invested in capital assets - Net of related debt	1,166,680	6,839,701	8,006,381
Restricted for:			
Road Fund	402,032	-	402,032
Public Safety Fund	180,699	-	180,699
Unrestricted	1,280,322	1,824,102	3,104,424
Total net assets	<u>\$ 3,029,733</u>	<u>\$ 8,663,803</u>	<u>\$ 11,693,536</u>

Charter Township of Coloma

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 596,590	\$ -	\$ -
Public safety	1,311,551	83,721	200,200
Public works	113,108	-	-
Economic development	80,487	-	-
Recreational and culture	7,822	-	-
Interest on long-term debt	45,505	-	-
Total governmental activities	2,155,063	83,721	200,200
Business-type activities - Sewer	825,990	374,181	-
Total primary government	<u>\$ 2,981,053</u>	<u>\$ 457,902</u>	<u>\$ 200,200</u>
General revenues:			
Property taxes			
State-shared revenue			
Unrestricted investment income			
General revenue			
Total general revenues			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended March 31, 2008

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (596,590)	\$ -	\$ (596,590)
(1,027,630)	-	(1,027,630)
(113,108)	-	(113,108)
(80,487)	-	(80,487)
(7,822)	-	(7,822)
(45,505)	-	(45,505)
(1,871,142)	-	(1,871,142)
-	1,129,978	1,129,978
(1,871,142)	1,129,978	(741,164)
1,031,139	-	1,031,139
395,383	-	395,383
35,561	76,673	112,234
300,134	-	300,134
1,762,217	76,673	1,838,890
(108,925)	1,206,651	1,097,726
3,138,658	7,457,152	10,595,810
\$ 3,029,733	\$ 8,663,803	\$ 11,693,536

Charter Township of Coloma

Governmental Funds Balance Sheet March 31, 2008

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total
Assets					
Cash and cash equivalents	\$ 904,096	\$ 9,537	\$ 286,681	\$ 632	\$ 1,200,946
Investments	164,195	123,393	100,000	-	387,588
Receivables:					
Taxes	12,331	53,608	14,105	-	80,044
Special assessments	-	-	7,754	-	7,754
Due from other funds	98,742	-	-	17,439	116,181
Total assets	<u>\$ 1,179,364</u>	<u>\$ 186,538</u>	<u>\$ 408,540</u>	<u>\$ 18,071</u>	<u>\$ 1,792,513</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 4,766	\$ 2,624	\$ 108	\$ -	\$ 7,498
Due to other funds	17,439	-	-	-	17,439
Accrued liabilities	29,268	3,215	-	-	32,483
Deferred revenue	-	-	6,400	-	6,400
Total liabilities	51,473	5,839	6,508	-	63,820
Fund Balances - Unreserved, reported in					
General Fund	1,127,891	-	-	-	1,127,891
Debt Service Fund	-	-	-	18,071	18,071
Special Revenue Fund	-	180,699	402,032	-	582,731
Total fund balances	<u>1,127,891</u>	<u>180,699</u>	<u>402,032</u>	<u>18,071</u>	<u>1,728,693</u>
Total liabilities and fund balances	<u>\$ 1,179,364</u>	<u>\$ 186,538</u>	<u>\$ 408,540</u>	<u>\$ 18,071</u>	<u>\$ 1,792,513</u>

Charter Township of Coloma

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **March 31, 2008**

Fund Balance Reported in Governmental Funds	\$ 1,728,693
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,119,680
Investments in joint ventures are not financial resources and are not reported in the funds	348,653
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	6,400
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(953,000)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(220,693)
Net Assets of Governmental Activities	<u>\$ 3,029,733</u>

Charter Township of Coloma

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	General Fund	Public Safety Fund	Road Fund	Nonmajor Fund - Debt Service	Total
Revenue					
Property taxes	\$ 119,966	\$ 721,373	\$ 189,800	\$ -	\$ 1,031,139
Licenses and permits	55,188	4,122	-	-	59,310
State sources	395,383	186	-	-	395,569
Local sources	-	200,014	-	-	200,014
Charges for services	7,300	-	-	-	7,300
Fines and forfeitures	-	17,111	-	-	17,111
Interest and rents	17,796	9,813	7,952	-	35,561
Other revenue	173,732	5,156	4,106	60,000	242,994
Total revenue	769,365	957,775	201,858	60,000	1,988,998
Expenditures					
Current:					
General government	536,612	-	-	-	536,612
Public safety	82,511	1,228,041	-	-	1,310,552
Public works	37,824	-	165,417	-	203,241
Economic development	80,487	-	-	-	80,487
Recreational and culture	7,822	-	-	-	7,822
Debt service	-	-	-	55,505	55,505
Total expenditures	745,256	1,228,041	165,417	55,505	2,194,219
Excess of Revenue Over (Under) Expenditures	24,109	(270,266)	36,441	4,495	(205,221)
Other Financing Sources (Uses)					
Interfund transfers in	-	140,000	-	-	140,000
Interfund transfers out	(140,000)	-	-	-	(140,000)
Total other financing sources (uses)	(140,000)	140,000	-	-	-
Net Change in Fund Balances	(115,891)	(130,266)	36,441	4,495	(205,221)
Fund Balances - Beginning of year	1,243,782	310,965	365,591	13,576	1,933,914
Fund Balances - End of year	<u>\$ 1,127,891</u>	<u>\$ 180,699</u>	<u>\$ 402,032</u>	<u>\$ 18,071</u>	<u>\$ 1,728,693</u>

Charter Township of Coloma

Governmental Funds **Reconciliation of the Statement of Revenue, Expenditures,** **and Changes in Fund Balances of Governmental Funds** **to the Statement of Activities** **Year Ended March 31, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$	(205,221)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Current year capital additions		142,601
Current year allocation of depreciation		(126,761)
Current year net capital disposals		(5,761)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end		(3,666)
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Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		32,276
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Increase in equity interest in joint ventures		66,567
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Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		(8,960)
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Change in Net Assets of Governmental Activities	\$	<u>(108,925)</u>
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Charter Township of Coloma

Proprietary Funds Statement of Net Assets March 31, 2008

	Enterprise - Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 151
Investments (Note 3)	1,626,768
Receivables:	
Special assessments	137,021
Customer	84,906
Other receivables	64,850
Prepaid expenses and other current assets	52,375
Total current assets	1,966,071
Noncurrent assets:	
Investment in joint ventures (Note 1)	209,719
Capital assets (Note 5)	8,009,701
Total noncurrent assets	8,219,420
Total assets	10,185,491
Liabilities	
Current liabilities:	
Accounts payable	35,995
Due to other funds	98,742
Accrued liabilities	117,269
Deferred revenue	99,682
Current portion of long-term debt (Note 7)	75,000
Total current liabilities	426,688
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	1,095,000
Total liabilities	1,521,688
Net Assets	
Invested in capital assets - Net of related debt	6,839,701
Unrestricted	1,824,102
Total net assets	\$ 8,663,803

Charter Township of Coloma

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2008

	Enterprise - Sewer Fund
Operating Revenue	
Sewage disposal charges	\$ 359,656
Penalty charges	14,525
Total operating revenue	374,181
Operating Expenses	
Operation and maintenance	441,539
Depreciation and amortization	319,825
Total operating expenses	761,364
Operating Loss	(387,183)
Nonoperating Revenue (Expense)	
Investment income	76,673
Interest expense	(64,626)
Loss - Before contributions	(375,136)
Capital Contributions	
Capital grants	1,387,287
Private contributions	194,500
Total capital contributions	1,581,787
Change in Net Assets	1,206,651
Net Assets - Beginning of year	7,457,152
Net Assets - End of year	<u><u>\$ 8,663,803</u></u>

Charter Township of Coloma

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2008

	Enterprise - Sewer Fund
Cash Flow from Operating Activities	
Receipts from customers	\$ 405,120
Payments to suppliers	(405,566)
Payments to employees	(40,471)
Net cash used in operating activities	(40,917)
Cash Flows from Noncapital Financing Activities - Loans received from other funds	98,742
Cash Flows from Capital and Related Financing Activities	
Proceeds from capital grants	1,359,327
Collection of customer assessments	12,126
Proceeds from capital contributions	194,500
Purchase of capital assets	(1,532,218)
Principal and interest paid on capital debt	(114,626)
Net cash used in capital and related financing activities	(80,891)
Cash Flows from Investment Activities	
Interest received on investments	76,673
Purchase of investment securities	(60,411)
Net cash provided by investing activities	16,262
Net Decrease in Cash and Cash Equivalents	(6,804)
Cash and Cash Equivalents - Beginning of year	6,955
Cash and Cash Equivalents - End of year	<u><u>\$ 151</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (387,183)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	319,825
Changes in assets and liabilities:	
Receivables	(16,715)
Accounts payable	(19,572)
Accrued and other liabilities	15,074
Deferred revenue	47,654
Net cash used in operating activities	<u><u>\$ (40,917)</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2008, the Charter Township's investment in joint venture remained the same. There were no noncash capital or financing activities.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Charter Township of Coloma, Michigan (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Coloma, Michigan:

Reporting Entity

The Charter Township of Coloma, Michigan is governed by an elected seven-member board. The accompanying financial statements present the Charter Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Jointly-governed Organizations

The Charter Township, along with the City of Coloma and Hagar Township, is a member of the Coloma - Hagar Joint Fire Board. The fire board is governed by an administrative board of six members, appointed by the City and townships. The Charter Township's equity interest in the fire board of \$321,042 is recorded in the government-wide financial statements. Complete financial statements for the fire board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is a participant with the City of Coloma in a joint venture to provide for the administration and operations of the cemetery. Upon dissolution of the cemetery board, the net assets will be shared on a pro rata basis as follows: 60 percent to Charter Township of Coloma and 40 percent to City of Coloma. The cemetery board is governed by an administrative board of five members consisting of three members from the Charter Township of Coloma and two from the City of Coloma. The Charter Township's share of fixed assets and the equity interest of \$27,611 are recorded on the government-wide financial statements. Complete financial statements for the cemetery board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township is also a participant with the City of Coloma, the City of Watervliet, and Watervliet Township in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Paw Paw Lake Regional Joint Sewage Disposal Board was created for this purpose. Upon dissolution of the board, the net assets of the Joint Sewage Disposal Board will be shared equally among the four municipalities. The Charter Township's equity interest of \$209,719 is recorded in the Sewer Fund. Complete financial statements for the board can be obtained from the Charter Township of Coloma supervisor's office.

The Charter Township does not anticipate any additional benefit or burden related to its interest in these entities.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, if special assessments and grant reimbursements will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township reports the following major governmental funds:

General Fund - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Fund - The Public Safety Fund accounts for the activities of the police department, the fire department, and ambulance-related expenditures.

Road Fund - The Road Fund accounts for the resources of tax revenues for the purpose of road maintenance, repairs, and construction projects.

The Charter Township reports the following major proprietary fund:

Sewer Fund - The Sewer Fund accounts for the activities of the sanitary sewer system, a service provided to citizens that is financed primarily by user charges for the provision of that service.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Charter Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Charter Township's enterprise function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for purposes for which both restricted and unrestricted resources exist, it is the Charter Township's policy to first apply restricted resources.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Charter Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Charter Township totaled \$161 million, on which taxes levied consisted of 0.7168 mills for operating purposes, 4.4895 mills for public safety, and 1.1813 mills for roads. This resulted in \$120,000 for operating, \$721,000 for public safety, and \$190,000 for roads. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, and Enterprise Fund is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land improvements	20 years
Water and sewer distribution systems	40 years
Buildings and building improvements	40 to 50 years
Vehicles	3 to 10 years
Office equipment	5 to 15 years
Other tools and equipment	3 to 10 years

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2007	\$ (101,577)
Current year permit revenue	28,101
Related expenses - Direct costs	<u>68,489</u>
Shortfall at March 31, 2008	<u>\$ (141,965)</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Charter Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with the state statutory authority as listed above. The Charter Township's deposits and investment policies are also in accordance with statutory authority.

The Charter Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$2.4 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 6,400	\$ -
Advance utility billings	-	99,682
Total	<u>\$ 10,066</u>	<u>\$ 99,682</u>

Note 5 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated - Land	\$ 123,317	\$ -	\$ -	\$ 123,317
Capital assets being depreciated:				
Infrastructure	357,435	118,800	-	476,235
Land improvements	24,448	-	-	24,448
Buildings and improvements	1,544,970	-	-	1,544,970
Vehicles	210,719	21,806	(17,283)	215,242
Office equipment	152,388	1,995	-	154,383
Equipment	283,690	-	-	283,690
Subtotal	2,573,650	142,601	(17,283)	2,698,968
Accumulated depreciation:				
Infrastructure	15,502	20,842	-	36,344
Land improvements	5,092	1,222	-	6,314
Buildings and improvements	124,996	31,306	-	156,302
Vehicles	138,862	22,787	(11,522)	150,127
Office equipment	115,229	25,695	-	140,924
Equipment	187,685	24,909	-	212,594
Subtotal	587,366	126,761	(11,522)	702,605
Net capital assets being depreciated	1,986,284	15,840	(5,761)	1,996,363
Net capital assets	<u>\$ 2,109,601</u>	<u>\$ 15,840</u>	<u>\$ (5,761)</u>	<u>\$ 2,119,680</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2007	Additions	Disposals and Adjustments	Balance March 31, 2008
Capital assets not being depreciated - Land	\$ 87,414	\$ 30,892	\$ -	\$ 118,306
Capital assets being depreciated:				
Sewer mains and extensions	11,945,998	1,465,839	-	13,411,837
Buildings and improvements	166,699	-	-	166,699
Equipment	39,803	35,487	-	75,290
Motor vehicles	28,760	-	-	28,760
Subtotal	12,181,260	1,501,326	-	13,682,586
Accumulated depreciation:				
Sewer mains and extensions	5,395,548	301,295	-	5,696,843
Buildings and improvements	22,357	4,302	-	26,659
Equipment	29,224	9,707	-	38,931
Motor vehicles	28,758	-	-	28,758
Subtotal	5,475,887	315,304	-	5,791,191
Net capital assets being depreciated	6,705,373	1,186,022	-	7,891,395
Net capital assets	<u>\$ 6,792,787</u>	<u>\$ 1,216,914</u>	<u>\$ -</u>	<u>\$ 8,009,701</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 53,013
Public safety	45,081
Public works	28,667
Total governmental activities	<u>\$ 126,761</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 17,439
General Fund	Sewer Fund	98,742

The balance owing from the General Fund to the Debt Service Fund resulted from a debt payment made on behalf of the General Fund by the Debt Service Fund, for which the General Fund will reimburse the Debt Service Fund after year end. The balance owing from the Sewer Fund to the General Fund resulted from the Sewer Fund overdrawing its share of the pooled cash account. The Sewer Fund has received deposits subsequent to year end which brought its share of the pooled cash back to positive.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Public Safety Fund	\$ <u>140,000</u>

The transfer from the General Fund to the Public Safety Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. The county installment purchase agreement is also a general obligation of the government. Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
Accumulated employee benefits	-	\$ 211,733	\$ 8,960	\$ -	\$ 220,693	\$ 22,069
General obligation bond - USDA Bond:	4.75%	963,000	-	(10,000)	953,000	11,000
Amount of issue: \$1,000,000 Maturing through 2042						
Installment purchase contract - Fire land contract:	6.00%					
Amount of issue: \$39,330 Maturing through 2011		22,276	-	(22,276)	-	-
Total governmental activities		<u>\$ 1,197,009</u>	<u>\$ 8,960</u>	<u>\$ (32,276)</u>	<u>\$ 1,173,693</u>	<u>\$ 33,069</u>
Business-type Activities						
General obligation bond - Sanitary Sewage Disposal bonds:						
Amount of issue: \$1,570,000 Maturing through 2020	5.00- 5.70%	<u>\$ 1,220,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 1,170,000</u>	<u>\$ 75,000</u>

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 11,000	\$ 46,459	\$ 57,459	\$ 75,000	\$ 62,390	\$ 137,390
2010	11,000	45,923	56,923	75,000	50,490	125,490
2011	12,000	45,386	57,386	75,000	54,552	129,552
2012	12,000	44,802	56,802	75,000	50,578	125,578
2013	13,000	44,216	57,216	75,000	46,565	121,565
2014-2018	76,000	210,892	286,892	550,000	151,113	701,113
2019-2023	95,000	190,614	285,614	245,000	13,823	258,823
2024-2028	121,000	165,018	286,018	-	-	-
2029-2033	154,000	132,454	286,454	-	-	-
2034-2038	195,000	91,162	286,162	-	-	-
2039-2042	253,000	38,708	291,708	-	-	-
Total	<u>\$ 953,000</u>	<u>\$ 1,055,634</u>	<u>\$ 2,008,634</u>	<u>\$ 1,170,000</u>	<u>\$ 429,511</u>	<u>\$ 1,599,511</u>

Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has private insurance for claims relating to workers' compensation and all medical claims, and participates in the Michigan Townships Participating Plan for all other claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 9 - Pension Plan

During the year ended March 31, 2007, the Charter Township joined the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all police employees of the Charter Township, except for one. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the System for police employees was established by negotiation with the Charter Township's police competitive bargaining unit and requires a contribution from the employees of 6 percent of gross wages.

Charter Township of Coloma

Notes to Financial Statements March 31, 2008

Note 9 - Pension Plan (Continued)

For the year ended March 31, 2008, the Charter Township's annual pension cost of \$8,440 for the plan was equal to the Charter Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, depending on age, attributable to seniority/merit, and (d) no increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

Three-year Trend Information

	Fiscal Year Ended March 31		
	2006	2007	2008
Annual pension cost (APC)	\$ 10,775	\$ 3,858	\$ 8,440
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 112,135	\$ 145,930	\$ 184,649
Actuarial Accrued Liability (AAL)			
(entry age)	130,009	160,229	209,841
Unfunded AAL (UAAL)	17,874	14,299	25,192
Funded ratio	86.3 %	91.1 %	88.0 %
Covered payroll	280,638	278,190	301,954
UAAL as a percentage of covered payroll	6.4 %	5.1 %	8.3 %

Note 10 - Defined Contribution Pension Plan

The Charter Township maintains a defined contribution plan for nonunion employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. As established by the Charter Township board, the Charter Township will match employee contributions (for eligible employees) up to 9 percent of the employee's base pay. In accordance with these requirements, the Charter Township contributed \$18,883 for the year ended March 31, 2008.

Required Supplemental Information

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 115,650	\$ 115,650	\$ 119,966	\$ 4,316
Licenses and permits	70,551	70,551	55,188	(15,363)
State sources	392,328	392,328	395,383	3,055
Charges for services	7,550	7,550	7,300	(250)
Interest	16,000	16,000	17,796	1,796
Other revenue	127,000	127,000	173,732	46,732
Total revenue	729,079	729,079	769,365	40,286
Expenditures				
General government:				
Township board	76,106	76,106	72,569	3,537
Supervisor	15,882	17,360	18,014	(654)
Tax administration	63,906	63,906	57,895	6,011
Treasurer	13,175	13,600	14,131	(531)
Clerk	90,837	90,837	90,273	564
Elections	300	3,000	2,904	96
Buildings and grounds	222,446	222,446	227,930	(5,484)
Cemetery	48,550	52,896	52,896	-
Total general government	531,202	540,151	536,612	3,539
Public safety - Inspection department	86,013	86,013	82,511	3,502
Streets	33,400	33,400	37,824	(4,424)
Economic development:				
Planning commission	65,490	65,490	62,761	2,729
Economic development opportunities	47,050	34,851	17,726	17,125
Total economic development	112,540	100,341	80,487	19,854
Recreation and culture:				
Library	1,100	1,100	947	153
Community relations	3,625	6,875	6,875	-
Total recreation and culture	4,725	7,975	7,822	153
Total expenditures	767,880	767,880	745,256	22,624
Excess of Revenue Over (Under) Expenditures	(38,801)	(38,801)	24,109	62,910
Other Financing Uses - Interfund transfers out	(140,000)	(140,000)	(140,000)	-
Net Change in Fund Balance	(178,801)	(178,801)	(115,891)	62,910
Fund Balance - Beginning of year	1,243,782	1,243,782	1,243,782	-
Fund Balance - End of year	<u>\$ 1,064,981</u>	<u>\$ 1,064,981</u>	<u>\$ 1,127,891</u>	<u>\$ 62,910</u>

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Public Safety Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 722,002	\$ 722,002	\$ 721,373	\$ (629)
Licenses and permits	4,000	4,000	4,122	122
State sources	2,800	2,800	186	(2,614)
Local sources	206,000	206,000	200,014	(5,986)
Fines and forfeitures	17,500	17,500	17,111	(389)
Interest	6,750	6,750	9,813	3,063
Other revenue	12,000	12,000	5,156	(6,844)
Total revenue	971,052	971,052	957,775	(13,277)
Expenditures				
Police	887,927	961,477	924,690	36,787
Fire	133,160	246,460	283,650	(37,190)
Ambulance	21,502	21,502	19,701	1,801
Total expenditures	1,042,589	1,229,439	1,228,041	1,398
Excess of Expenditures Over Revenue	(71,537)	(258,387)	(270,266)	(11,879)
Other Financing Sources - Interfund transfers in	140,000	140,000	140,000	-
Net Change in Fund Balance	68,463	(118,387)	(130,266)	(11,879)
Fund Balance - Beginning of year	310,965	310,965	310,965	-
Fund Balance - End of year	<u>\$ 379,428</u>	<u>\$ 192,578</u>	<u>\$ 180,699</u>	<u>\$ (11,879)</u>

Charter Township of Coloma

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Road Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 176,275	\$ 176,275	\$ 189,800	\$ 13,525
Interest	5,501	5,501	7,952	2,451
Other revenue	4,000	4,000	4,106	106
Total revenue	185,776	185,776	201,858	16,082
Expenditures - Public works	200,001	200,001	165,417	34,584
Net Change in Fund Balance	(14,225)	(14,225)	36,441	50,666
Fund Balance - Beginning of year	365,591	365,591	365,591	-
Fund Balance - End of year	<u><u>\$ 351,366</u></u>	<u><u>\$ 351,366</u></u>	<u><u>\$ 402,032</u></u>	<u><u>\$ 50,666</u></u>

Charter Township of Coloma

Note to Required Supplemental Information Year Ended March 31, 2008

Note - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township supervisor and approved by the Charter Township board prior to the start of the fiscal year. The budget was amended once during the year in a legally permissible manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year the Township had a significant budget overrun as follows:

	<u>Budget</u>	<u>Actual</u>
Public Safety Fund - Fire	\$ 246,460	\$ 283,650

Charter Township of Coloma

**Report to the Township Board
March 31, 2008**



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To the Township Board
Charter Township of Coloma

We have recently completed our audit of the basic financial statements of the Charter Township of Coloma (the "Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications and required audit communication:

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We are grateful for the opportunity to be of service to the Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 19, 2008

Report on Internal Control

September 19, 2008

To the Township Board
Charter Township of Coloma

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Coloma as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Control Over Manual Journal Entries

Manual journal entries are used often throughout the year for recording utility billings, accounts receivable, utility adjustments, cash receipts, interest income, reversals, and transfers. These entries are all made by one individual and are not reviewed by any other Township personnel. We recommend implementing a process in which a separate individual (or possibly the finance committee) review manual journal entries posted in the general ledger monthly, including the supporting documentation for those entries.

Segregation of Duties

With limited personnel, the Township does not operate with a distinct segregation of duties related to the cash receipt cycle. One individual is responsible for maintaining the general ledger, preparing the bank reconciliations, and posting the adjustments to the general ledger. On occasion, when the need demands, this individual also receives cash receipts.

There is also a lack of proper segregation of duties in the utility billing system. One individual creates billings and is able to adjust customer accounts without approval. The Township has the capabilities to integrate the utility billing software with the general ledger software, allowing for easier review of related transactions. We recommend a review of all account adjustments be made on a regular basis.

Controls Over Cash

The Township's procedures currently outline that the treasurer is independently reviewing monthly bank reconciliations, which are prepared by the deputy treasurer. We recommend that this review be documented by the treasurer initialing both the reconciliation and the bank statement after his review is conducted. Best practices also include procedures that state the monthly bank reconciliations should be prepared within 1-15 days upon receipt of the statement and reviewed within 1-15 days following the preparation of the reconciliation. Lastly, it was noted during the audit that the Township's checks are not kept in a secure (i.e., locked) place during office hours. We recommend keeping checks locked up in a secure storage area and only provide access to certain employees.

Audit Adjustments

During our audit, we proposed and recorded audit adjustments to the general ledger within the areas of capital assets, grant revenue, and the Building Authority (Debt Service) Funds. Without these required adjustments, the general ledger would not have been materially free of misstatements within the impacted funds.

This communication is intended solely for the information and use of management of the Charter Township of Coloma and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Kenley Penner", written in a cursive style.

Kenley Penner, CPA
Partner

Results of the Audit

September 19, 2008

To the Township Board
Charter Township of Coloma

We have audited the financial statements of the Charter Township of Coloma (the "Township") for the year ended March 31, 2008 and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 9, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Coloma are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All known adjustments were recorded and corrected by management during the course of the audit. Material adjustments were made to recorded capital asset activity in the Sewer Fund, to gross up grant revenue and related expenses in the Sewer Fund, to record deferred revenue in the Sewer Fund, and to record Debt Service Fund transactions for the fiscal year.

September 19, 2008

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

This information is intended solely for the use of the board of trustees and the management of the Charter Township of Coloma and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Kenley Penner", written in a cursive style.

Kenley Penner, CPA

Partner